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Hershey Foods

ANNUAL REPORT 1969

BOARD OF DIRECTORS

W. E. Schiller, *Chairman*
W. E. Dearden
J. Hemphill
H.S. Mohler
G. Nurick
R. L. Uhrich
A. R. Whiteman

OFFICERS

H. S. Mohler, *President*
W. E. Schiller, *Chairman of the Board and Treasurer*
W. E. Dearden, *Vice President, Sales and Marketing*
R. L. Uhrich, *Secretary*
L. W. Simmons, *Comptroller*

EXECUTIVE OFFICES

19 East Chocolate Avenue, *Hershey, Pennsylvania*

TRANSFER AGENT

First National City Bank, *New York*

REGISTRAR

Morgan Guaranty Trust Company, *New York*

AUDITORS

Arthur Andersen & Co., *New York*

Hershey Foods Corporation

CORY CORPORATION
Chicago, Illinois

DAVID & FRÈRE (1967) LTÉE
Montreal, Canada

DELMONICO FOODS, INC.
Louisville, Kentucky

HERSHEY CHOCOLATE & CONFECTIONERY DIVISION
Hershey, Pennsylvania—Oakdale, California

HERSHEY CHOCOLATE OF CANADA (1967) LTD.
Smith Falls, Canada

L. D. PROPERTIES CORPORATION
Oakdale, California

H. B. REESE CANDY CO., INC.
Hershey, Pennsylvania

SAN GIORGIO MACARONI, INC.
Lebanon, Pennsylvania

Hershey Foods Corporation

To Our Shareholders

President, Harold S. Mohler   Chairman of the Board, William E. Schiller

Your Company completed its sixty-sixth year with record sales although lower earnings.

Comparative results for the past two years on a consolidated basis were as follows:

	1969	1968
Sales	$315,117,453	$296,045,285
Net income	12,041,411	19,898,149
Income per per share	1.01	1.67
Dividends per share	1.10	1.10

Over the past five years—from 1965 through 1969—net sales have risen from $211 million to $315 million or approximately fifty per cent. About half of this increase has come from expansion of our existing lines and the remainder from the acquisition of new businesses. Among those joining the HERSHEY family during this period were San Giorgio Macaroni, Inc., Delmonico Foods, Inc., David & Frère Ltée, and Cory Corporation. During 1969, each of our divisions showed healthy sales growth.

As mentioned in our interim reports during the year, the extremely high cost of cocoa beans—the principal ingredient of our chocoate and cocoa products—depressed the earnings of the Chocolate and Confectionery Division and, hence, the Corporate earnings. These high cocoa bean prices were the result of four years of deficits in world production as compared with consumption, culminating in a very disappointing rain-damaged crop in the harvest year October 1, 1968 to September 30, 1969. While many methods to counteract increased cocoa and other ingredient costs were explored and some adopted, competition in the market place (especially from non-chocolate confections) made it impractical to preserve the margins on many of our brands.

The current cocoa bean harvest is turning out much better than was generally anticipated. The West African crops are running considerably higher than last year's disappointing outturn, and Brazil is harvesting one of its best crops on record. The high prices of the past eighteen months have caused a contraction in consumption and this, together with increased cocoa bean production, resulted in an appreciable reduction in prices. It remains to be seen whether present prices, still at a relatively high level, are attractive enough to halt the decline in world-wide consumption. If not, prices may trend even lower.

The changes we have made in our marketing methods during the past several years are having the desired effect of improving our position in the confectionery field. HERSHEY'S "Rally" bar (a nut roll with fudge and caramel center) which was withdrawn from the market for improvement of shelf-life, is now being re-introduced and is getting an excellent reception. New and improved products are constantly under development by the Company and its various subsidiaries.

At the end of 1969, we discontinued the manufacture and marketing of five-cent chocolate bars. This decision, which was reached with reluctance, was necessitated by constantly increasing costs, particularly the high price of cocoa beans. We are encouraged by the reception of this change, and we anticipate that there will be no difficulty in making the transition from five-cent bars to ten-cent bars.

In November, your Company entered into an agreement with Portion Control Industries, Inc. of Chicago to acquire that Company in exchange for 500,000 shares of our voting preferred stock to be issued in six series and convertible into our common stock over a period of six years on the basis of three shares of common stock for each share of preferred stock. Consummation of this acquisition is expected within the next several months. Further comments on Portion Control appear in the next section of this report.

During the past year, we entered into a joint venture agreement with Anderson, Clayton & Co., S.A. (ACCOSA) for the manufacture and sale of chocolate and confectionery products in Mexico. This new Company, known as Nacional de Dulces, S.A. de C.V., is presently introducing Mexican-made HERSHEY'S milk chocolate, "Mr. Goodbar," and butter chip bars in that country.

On January 1, 1970, we started marketing "KIT KAT" bars (a chocolate-covered wafer confection) under an agreement with Rowntree Mackintosh Ltd. of York, England. It is intended that we will eventually manufacture this and other Rowntree products for the United States market.

In 1969, we invested $9,421,000 in capital improvements in the continuing program of expansion and modernization of our facilities. Recognizing the all-important subject of social responsibility, we have recently established a Department of Environmental Control and have become involved through the National Alliance of Businessmen in helping find employment for minority groups.

Our consumer advertising campaign designed by Ogilvy & Mather was launched in seven test markets last November. Depending on the results of such tests, it is presently intended that we will be advertising on a national basis by the latter part of this year. Our program to publicize "the great American chocolate bar" is described in another section of this report.

The date of the annual meeting of shareholders has been changed to the second Monday of April in order to allow more time between the date we mail our annual reports and proxy statements and the annual meeting. This year's meeting will be held on April 13 and the proxy statement in connection with it will be mailed within a few days.

There are now more than 7,000 employees of the HERSHEY Companies, and it is primarily to their loyalty and dedication that we are indebted for our progress.

W. E. Schiller
Chairman of the Board

H. S. Mohler
President

Your Corporate Directors

W. E. Schiller
Chairman of the Board and
Treasurer of the Corporation

H. S. Mohler
President of Corporation

R. L. Uhrich
Secretary of Corporation

W. E. Dearden
Vice President—Sales and
Marketing of Corporation

Julian Hemphill
Director of Cocoa Bean Purchases
and Assistant Treasurer of Corporation

Gilbert Nurick
Senior Partner of Law Firm of
McNees, Wallace and Nurick

A. R. Whiteman
President of Hershey Trust Company

Your Board of Directors at meeting in newly decorated Board room.

Corporate Growth

Your Corporation is committed to sound growth and believes the most profitable expansion can be achieved by a combination of the four methods available to it: SELLING MORE OF ITS PRESENT PRODUCTS ...INTRODUCING NEW PRODUCTS...ENTERING NEW MARKETS...ACQUIRING VIABLE COMPANIES WITH BETTER THAN AVERAGE OPPORTUNITIES FOR GROWTH AND PROFITABILITY.

SELLING MORE OF ITS PRESENT PRODUCTS

Contrary to the common belief that many of the Corporation's brands, especially chocolate and confectionery items, have reached the point of market saturation, our market research indicates that we can look forward to good, solid growth in our current line of products. Although this approach is the most conservative, it still offers the best return with the least amount of risk.

Milk chocolate covered nut roll.

INTRODUCING NEW PRODUCTS

New products provide challenging opportunities for Corporate growth. Despite the utilization of all the latest market–research techniques, few companies can boast of perfect records in this area. Even though the higher risks are recognized and handled as skillfully as possible, new products do not usually provide immediate contributions to profits. Over the longer term, they either become profitable or they are phased out.

The agreement between HERSHEY FOODS CORPORATION and Rowntree Mackintosh Limited, York, England, which was executed in October 1969, will furnish HERSHEY the opportunity to market the imported products of the English Company and in due course manufacture them.

Light, crisp wafers in delicious milk chocolate from England.

ENTERING NEW MARKETS

Expansion into a new market can be accomplished by exporting product or by manufacturing in the new location or a combination of both. In January 1969, HERSHEY FOODS entered into a joint venture with the Mexican subsidiary of Anderson, Clayton & Co. to manufacture and sell chocolate and confectionery products. Nacional de Dulces, S.A. de C.V., which is the name of the new Company, is based in Mexico City and represents a fairly modest investment. The long-term projections, however, are quite optimistic. On another part of the globe, Cory Corporation, during the past year has expanded its coffee service program in Europe. In addition, Cory's growth in Canada has been excellent.

ACQUIRING VIABLE COMPANIES WITH BETTER THAN AVERAGE OPPORTUNITIES FOR GROWTH AND PROFITABILITY

To find companies that have above average growth and earnings potential and that are interested in combining efforts for the future is never an easy task. It is, however, an important step necessary to the long-term development of your Corporation.

In November 1969, we announced that agreement to merge had been reached between HERSHEY FOODS and Portion Control Industries, Inc. Based in Chicago, Portion Control is a recognized leader in the manufacture of prepared convenience foods which are sold under the trade name "PRONTO" to schools, government institutions, industrial feeders, airlines, vending companies and restaurants. We believe our efforts with Portion Control will lead to exciting future developments in the "eating-away-from-home" market which has been growing at a very rapid rate.

We continue to further the development of a spirit throughout the Corporation that will assist in reaching the goals we have set for the future. Financial strength, experienced management, operational efficiency and proper employee motivation assist in fostering such a spirit.

Three old-time favorites now being marketed in Mexico by NACIONAL DE DULCES.

Three new products of HERSHEY CHOCOLATE OF CANADA.


CORY'S new TRAVELAID STEAMER for wrinkle-free clothing anywhere.

Two new pasta products by DELMONICO for the convenience food market.

Nine new products introduced in 1969 by DAVID & FRÈRE LTÉE.

Advertising: 1969

During 1969, The HERSHEY CHOCOLATE & CONFECTIONERY DIVISION selected an advertising agency...Ogilvy & Mather, Inc. for its first venture into consumer advertising. An intensive program to evaluate the opportunities to support our products with advertising has been undertaken. To date, this program is proceeding on schedule and, within the context of our overall marketing program. We have been advertising four of our major brands in selected markets using both television and radio campaigns.

HERSHEY'S MILK CHOCOLATE and ALMOND BARS have, over the years, become the standard of America's chocolate taste. The advertising reinforces this position with the copy theme: "HERSHEY'S ...The Great American Chocolate Bar." A sample of one of the television commercials is shown below.

REESE'S PEANUT BUTTER CUP is the fastest-growing candy bar in the United States today. This candy bar is a delicious combination of HERSHEY'S milk chocolate and old-fashioned peanut butter. The advertising for REESE'S PEANUT BUTTER CUP springs directly from the ingredients in the product. "Two Great Tastes That Taste Great Together." A typical television commercial is demonstrated on the opposite page.

HERSHEY'S INSTANT chocolate-flavored mix is a favorite of mothers who want their children to drink more milk and of children who love chocolate milk. The advertising for this product is based on the idea that HERSHEY'S INSTANT "Makes Milk Taste Like a HERSHEY'S BAR." A dramatization of one of these television commercials is outlined on the opposite page.

Milk Chocolate & Almond Bars "Montage"

Music: Introducing chords and then continued as background throughout all scenes.

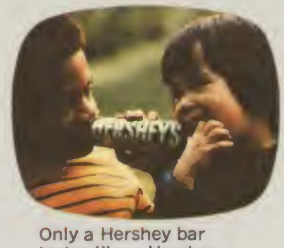
Singers: There's nothing like... the face of a kid eating a Hershey bar.

There's nothing like it... you'll ever see. A face as happy as it can be.

There's nothing like... the face of a kid... When he's munchin' on... The greatest taste around.

Hershey—the great American chocolate bar. Hershey's plain or with almonds.

Pure milk chocolate through and through... made the very special Hershey way.



Only a Hershey bar tastes like a Hershey bar. There's nothing like the face of a kid...

When he's munchin' on the greatest taste around. Hershey—the great American chocolate bar.

Reese's Peanut Butter Cup "Manhole"

(Traffic and street noise throughout jingle)
Mmm. Peanut butter.

Mmm. Milk chocolate.

Boy...do I love peanut butter.

(Man falling into manhole)

Hey, you got chocolate in my peanut butter.

Two great tastes that taste great together. You get two great tastes in one candy bar.

Old-fashioned peanut butter surrounded by pure milk chocolate.

Like we said, two great tastes that taste great together. You get two great tastes in one candy bar.

Hershey Instant "Cows March On Jefferson City"

Newscaster;
This is the latest report... on the cows marching on Jefferson City, Mo.

The cows start marching because the children of Jefferson City aren't drinking enough milk.

Little Bob Hyder of Peachtree Drive is one of them and the Kingsland twins of Elmerine Drive.

The cows are nearing the Jefferson City Capitol. But wait...A convoy is rushing in supplies...

Hershey's Instant! The chocolate flavored instant that makes milk taste like a Hershey bar. It's fortified with vitamins.

Woman: It's working.
Newscaster: Now the children of Jefferson City are drinking gallons of milk.

Newscaster: And the cows are turning. There's a report they're heading for Providence.

Newscaster: Hershey's Instant makes milk taste like a Hershey bar. It's the only instant recommended by cows.

New Package Designs: 1969

1969 will go into the Corporate history books as a year of changes—carefully considered but far reaching changes in package designs. A brand's label is an important part of any marketing concept and a major determinant of consumer acceptance.

Every brand in the Chocolate and Confectionery Division went through some graphic changes with the exception of the "maroon and silver" standbys—Milk, Almond, Syrup and Cocoa. Reese's, Kisses, Krackel, Mr. Goodbar, Miniatures, Hershey-ets, Candy Coated Peanuts, Poly Bags, Instant, Semi-Sweet and Milk Chocolate Chips, Hot Chocolate and Fudge—all were revised to some degree.

Changes in a brand's label emanate from many sources and for many reasons. Once suggested, the merits of the proposed change are carefully studied, primarily by members of the Brand Marketing Group to which the brand is assigned. All available and relevant information is carefully studied: where is the product sold; how is it displayed in retail outlets; who buys it; who does not buy it and why not; who consumes the product; what is competition doing; what is the profit margin on the brand; are there any technical or legal restrictions; what are the strengths and the weaknesses of the current label. After all these factors are studied and the decision made to proceed, actual work encompasses Graphic Arts Services, Brands Group, Director of Marketing, Director of Sales, and finally Executive Management.

Each brand must have its own sales personality—forceful enough to appeal to the ever changing market. Every design must be strong enough to fight for its

rightful position among its competitors—appealing enough to whet the appetite of the consumer—exciting enough to create a desire to try it—colorful enough to command attention on the dealer's shelf—informative enough to tell the purchaser of its contents—and most important, practical enough to manufacture, pack and ship with a proper margin of profit.

After approval of the new design, as submitted or with requested modifications, has been obtained from top management, all departments of the Division swing into action—Purchasing begins working with our package suppliers, Warehousing begins keeping an even closer watch on inventory levels. Production prepares for the change over; Sales develops the material necessary to communicate the change and the reasons for it to the men in the field and to customers; Graphic Arts develops color standards which are then enforced by Quality Assurance. Much work remains to be done before the consumer sees the new package on the shelf for the first time. In fact, at this point, we are only half way through the twelve-eighteen months it typically takes from the inception to final completion of label redesign. But the die is cast, the design has been selected and only implementation remains.

After the Sales Force has obtained distribution on the shelf or in display—after Advertising has presold the product—it is still the label that must catch the shopper's eye and say: "Here I am, this is what is inside the package. Buy Me!" Records show that these new designs are exciting the consumer as sales figures continue to climb to new highs.

CONSOLIDATED BALANCE SHEET

Hershey Foods Corporation AND SUBSIDIARIES

ASSETS

	December 31, 1969	December 31, 1968
CURRENT ASSETS:		
Cash	$11,071,072	$ 9,524,001
Marketable securities, at cost	98,661	830,050
Accounts receivable, less reserves	19,584,644	16,139,319
Inventories (Note 2)	64,231,839	77,856,909
Total current assets	94,986,216	104,350,279
PLANT AND PROPERTY, at cost (Note 5):		
Land	3,857,693	3,500,475
Buildings	40,941,972	39,096,820
Equipment	86,384,930	81,163,826
	131,184,595	123,761,121
Less—Reserves for depreciation	52,401,612	51,725,699
Net plant and property	78,782,983	72,035,422
COST OF INVESTMENTS IN SUBSIDIARIES IN EXCESS OF BOOK VALUES AT DATES OF ACQUISITION (Note 6)	20,671,504	23,444,402
DEFERRED CHARGES, ETC.	11,465,610	8,150,201
	$205,906,313	$207,980,304

The accompanying notes ar

LIABILITIES

	DECEMBER 31 1969	DECEMBER 31 1968
CURRENT LIABILITIES:		
Loans payable within one year (Note 4)	$ 5,401,768	$ 15,864,807
Accounts payable	16,168,128	7,673,017
Accrued liabilities	5,849,897	5,453,379
Reserve for Federal and state income taxes	4,194,848	4,873,582
Total current liabilities	31,614,641	33,864,785
LONG TERM LOANS (Note 4)	19,054,991	18,467,294
RESERVE FOR DEFERRED INCOME TAXES (Note 5)	10,589,854	9,219,061
STOCKHOLDERS' EQUITY: (Note 7)		
Common stock, without par value—		
Authorized 20,000,000 shares;		
issued—12,226,360 and 12,226,260 shares, respectively	9,052,016	9,050,336
Retained earnings	146,708,204	147,725,924
	155,760,220	156,776,260
Less: Treasury stock, at cost—		
364,802 and 336,508 shares, respectively	11,113,393	10,347,096
Total stockholders' equity	144,646,827	146,429,164
	$205,906,313	$207,980,304

gral part of this balance sheet.

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

Hershey Foods Corporation AND SUBSIDIARIES

	FOR THE YEARS ENDED DECEMBER 31 1969	1968
NET SALES	$315,117,453	$296,045,285
COSTS AND EXPENSES:		
Cost of goods sold	226,020,450	195,663,378
Selling, administrative and general	37,332,151	32,565,610
Shipping	16,632,044	15,969,606
Depreciation (Note 5)	4,770,121	4,449,923
Total costs and expenses	284,754,766	248,648,517
Income from operations	30,362,687	47,396,768
OTHER EXPENSE (INCOME):		
Interest	1,868,698	2,450,366
Other	(645,622)	(627,747)
Income before income taxes	29,139,611	45,574,149
PROVISION FOR FEDERAL AND STATE INCOME TAXES	17,098,200	25,676,000
Net income	12,041,411	19,898,149
RETAINED EARNINGS AT JANUARY 1	147,725,924	140,935,639
	159,767,335	160,833,788
DEDUCT—Dividends, $1.10 a share	13,059,131	13,107,864
RETAINED EARNINGS AT DECEMBER 31	$146,708,204	$147,725,924
NET INCOME PER COMMON SHARE Based on average shares outstanding during the period	$1.01	$1.67

The accompanying notes are an integral part of this statement.

New, unique, custom-designed carrousel in the Traffic Department

Secretaries' Section of Executive Department

Office Modernization

When the HERSHEY CHOCOLATE CORPORATION office building was completed in 1935, it was considered the ultimate in modern design and in efficient use of space. The offices that were ideal in the forties and fifties became inadequate in the sixties.

In just a few years in the sixties, HERSHEY grew from a one-product, one-plant entity to a multi-product, multi-plant corporate structure with an ever widening influence in the food market of the United States and Canada. HERSHEY CHOCOLATE CORPORATION became HERSHEY FOODS CORPORATION.

With the advent of Electronic Data Processing, the computer revealed such a vast background of information that it affected the entire operation of the Corporation. A totally new concept had to be designed for the future. Thus, the decision was made to remodel and rebuild for the seventies. It would be a four-year project, would cost hundreds of thousands of dollars but would be done without interrupting the vital daily work.

The new offices are the result of exhaustive study and sound planning for the next decade. Flexibility has been emphasized. Interior walls and partitions can be adjusted to meet new requirements. Lighting and air-conditioning can be altered to meet changes in office layout. Everything has been done with efficiency in mind.

Most important has been the creation of a pleasant, quiet, work-conducive atmosphere for the daily operations of the Corporation.

Reception Lobby

Electronic Data Processing Department

CONSOLIDATED STATEMENT OF SOURCE AND DISPOSITION OF FUNDS

Hershey Foods Corporation AND SUBSIDIARIES

SOURCE		1969
Net income for the year		$12,041,411
Income charges not requiring the disbursement of cash:		
Depreciation	$4,770,121	
Deferred income taxes	1,370,793	6,140,914
Funds provided from operations		18,182,325
Increase in long term debt		587,697
		18,770,022
DISPOSITION		
Dividends paid		13,059,131
Treasury stock acquired		766,297
Additions to plant and property		9,420,523
Other (Net)		2,637,990
		25,883,941
Decrease in working capital		$ 7,113,919

NOTES

1 The accompanying consolidated financial statements include the accounts of HERSHEY FOODS CORPORATION and all of its subsidiary corporations.

Intercompany balances and transactions have been eliminated. Assets, liabilities and income of foreign subsidiaries have been translated at approximate current rates of exchange, except that historical rates were used for fixed assets and related depreciation.

2 Inventories of cocoa beans, almonds, peanuts and milk, together with such material and wage costs included in finished goods and goods in process are substantially all stated at cost, under the "last-in, first-out" method. The remaining inventories are stated at lower of cost or market under the "first-in, first-out" or "average cost" method.

3 The Company and certain of its subsidiaries have an Insured Retirement Annuity Plan covering substantially all employees of such companies. The Company's policy is to fund current service costs as incurred. The total pension expense for 1969 was $660,000 compared with $600,000 in 1968.

4 Long term loans at December 31, 1969 consist of the following:

Loan at prime interest rate (8½% at December 31), payable in equal quarterly installments, commencing March 30, 1971 and ending December 31, 1974	$ 8,000,000
4½% loan, payable in equal quarterly installments of $357,143 to 1973	3,571,428
Various other loans	7,483,563
	$19,054,991

The prime rate loan was obtained under the terms of a revolving credit agreement which allows the Company to borrow up to $25,000,000. The expiration date of the agreement has been extended to November 22, 1970. Borrowings under this loan may be prepaid without penalty and the outstanding balance at November 22, 1970 may be converted into a term loan with payments due as indicated above. It is presently the Company's intention to convert the balance borrowed into a term loan. In addition, the loan agreement contains certain restrictions as to the ratio of debt, as defined, to current assets and stockholders' equity.

5 Depreciation of buildings and equipment is provided under straight-line and accelerated methods over estimated useful lives which range from 3 to 50 years for financial reporting whereas guideline lives and, in some cases, depreciation calculated by more accelerated methods are used for substantially all property in income tax reporting. The reduction in income taxes currently payable resulting therefrom is being credited to deferred taxes.

6 The cost of investments in subsidiaries in excess of the net assets acquired at dates of acquisition is not being amortized since the Company believes there has been no diminution of value of these assets.

In 1969, Cory Corporation, a subsidiary, was merged into another subsidiary of the Company and in connection therewith approximately $2,800,000 of the original cost of investment in excess of net assets acquired was allocated primarily to plant and equipment.

7 Under the terms of the 1968 Stock Option Plan, a maximum of 500,000 shares of common stock may be issued to officers and key employees at not less than market value at the dates such options are granted. The options are exercisable at anytime until expiration, 5 years after granting or earlier in the event of death or other termination of employment by the optionee. During 1969, options for 4,000 shares of common stock were granted at a price of $26.81. At December 31, 1969, options for 115,000 shares at prices ranging from $26.29 to $27.22 were outstanding. No options were exercised or canceled in 1969.

Under a previous plan adopted in 1957 and terminated in 1964, except for options then outstanding and unexercised, options for 100 shares were exercised at $16.80 a share during 1969 and options for 7,350 shares at prices ranging from $16.80 to $34.00 were outstanding at December 31, 1969.

On March 25, 1968, stockholders authorized 2,000,000 shares of Cumulative Preferred Stock without par value and increased the authorized Common Stock to 20,000,000 shares. The preferred stock, none of which has been issued to date (see note 8), may be issued from time to time in series and with such preferences and other terms as determined by the Board of Directors.

8 The Company entered into an agreement (subject, among other things, to receipt by the sellers of a favorable income tax ruling) to purchase all of the assets and business and to assume the liabilities of Portion Control Industries, Inc. for 500,000 shares of the Company's $.60 Cumulative Preferred Stock, Series 1 to 6. Such stock will be convertible into the common stock of the Company on the basis of three shares of common for one share of preferred, in series, at various dates, commencing no earlier than December 1, 1970 and no later than December 31, 1975. The Company intends to account for such acquisition on a pooling of interests basis. Unaudited net sales and net income of Portion Control Industries, Inc. for the year ended December 31, 1969 were $18,855,701 and $1,533,200.

AUDITORS' REPORT

To the Board of Directors and Stockholders of
HERSHEY FOODS CORPORATION.

We have examined the consolidated balance sheet of HERSHEY FOODS CORPORATION (a Delaware corporation) and subsidiaries as of December 31, 1969, and the related statements of consolidated income and retained earnings and source and disposition of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously examined and reported on the financial statements for the preceding year.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated income and retained earnings and source and disposition of funds present fairly the financial position of HERSHEY FOODS CORPORATION and subsidiaries as of December 31, 1969, and the results of their operations and the source and disposition of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N.Y.,
February 11, 1970.

ARTHUR ANDERSEN & CO.

TEN YEAR SUMMARY
SALES, INCOME AND DIVIDENDS

Hershey Foods Corporation AND SUBSIDIARIES

	NET SALES	NET INCOME		DIVIDENDS
YEAR		TOTAL	PER COMMON SHARE	PER COMMON SHARE
1969	$315,117,453	$12,041,411	$1.01	$1.10
1968	296,045,285	19,898,149	1.67	1.10
1967	246,745,196	20,934,705	1.75	1.10
1966	225,738,443	24,973,012	2.09	1.075
1965	211,780,687	24,722,000	2.02	1.00
1964	207,129,308	22,745,755	1.86	.925
1963	203,021,904	22,233,913	1.82	.90
1962	191,332,314	22,696,704	1.86	.90
1961	185,239,352	20,513,768	1.70	.80
1960	176,546,033	19,003,641	1.58	.74

OPEN

NOTE

Figures for the net income per share and dividends per share have been adjusted to give retroactive effect to the five-for-one stock split made on March 27, 1962.